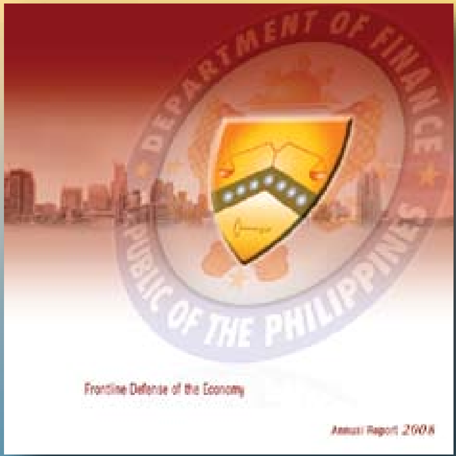
Frontline Defense of the Economy

Annual Report *2008*



Our Cover

The year 2008 saw the global economy slumped into its worst state since the Depression of the 1930s, precipitated by the collapse of the US economy. Many countries, especially those whose economies are largely dependent on the US market, including the Philippines, had to grapple for immediate, workable solutions to prevent a deeper recession.

The crisis brought to the fore the countercyclical role of fiscal policy in stimulating the economy during difficult times. Government took the driver's seat from the private sector to re-invigorate the economy through stimulus programs. These programs include accelerated spending on critical infrastructure to generate employment and domestic demand, and on social services to protect the vulnerable sectors.

The pump priming activities kept the economy from contracting. At the frontline of this favorable outcome was the Department of Finance which, as it always does, mobilized the necessary resources to sustain the momentum of the country's economic growth. Resource mobilization during times of crisis has its own special imperatives: fund sourcing must be done with speed, yet with due regard to preserving the country's debt sustainability. The country's recent history of reforms has improved our credit ratings, enabling DOF to obtain resources at favorable terms.

For the Department of Finance, shielding the economy against potential economic threats and imbalances through a sound fiscal policy will always be on top of its vision.

Table of Contents

The Department of Finance

The Department of Finance is the government's steward of sound fiscal policy. It formulates revenue policies that will ensure funding of critical government programs that promote welfare among our people and accelerate economic growth and stability. The Department envisions that the effective and efficient pursuit of the critical tasks under its wings – revenue generation, resource mobilization, debt management and financial market development – shall provide the solid foundation for a Philippine economy that is one of the most active and dynamic in the world.

Mission

Our economy must be one of the most dynamic and active in the world, globally competitive and onward looking. The DOF shall take the lead in providing a solid foundation for the achievement of this objective by building a strong fiscal position through the following:

- Formulation, institutionalization and administration of sound fiscal policies;
- Improvement of tax collection efficiency;
- Mobilization of adequate resources at most advantageous terms to meet budgetary requirements;
- Sound management of public sector debt; and
- Initiation and implementation of structural and policy reforms.

Vision

- A strong economy with stable prices and strong growth;
- A stable fiscal situation which could adequately finance government projects and budgetary programs;
- A borrowing program that minimizes costs and avoids the crowding-out effect on the private sector ;
- A public sector debt profile with long maturities and an optimum mix of currencies that manages the impact of currency movements; and
- A strong economy with equity and productivity.

DOF Mandate

Under Executive Order Nos. 127, 127-A and 292, the DOF is responsible for the following:

- Formulation, institutionalization and administration of fiscal policies in coordination with other concerned subdivisions, agencies and instrumentalities of the government;
- Generation and management of the fiscal resources of the government;
- Supervision of the revenue operations of all local government units;
- Review, approval and management of all public sector debt, domestic and foreign; and
- Rationalization, privatization and public accountability of corporations and assets owned, controlled or acquired by the government.

Letter to the President

Her Excellency
Gloria Macapagal-Arroyo
President
Republic of the Philippines
Malacañang, Manila

Dear Madam President:

We are pleased to submit to Her Excellency the 2008 Annual Report of the Department of Finance (DOF).

Many economies started to feel the pinch in 2008 due to the global financial meltdown. The Philippine economy still managed to expand, albeit at slower pace of 3.8 percent, in real gross domestic product.

To cushion the economy from adverse impact of the crisis, the DOF accommodated additional spending for social services and infrastructure, even at a cost of postponing the achievement of a balanced budget for the year.

While the dampening of economic activities is a global trend, we believe that a strong fiscal sector is a pre-requisite to stimulating economic activities, and hence expediting the recovery process. For this reason, the DOF remains prudent in the exercise of its mandate.

We thank Her Excellency for your unwavering support to the DOF. Rest assured that we are behind Her Excellency's commitment to poverty reduction through fiscal strength.

Very truly yours,

Margarito B. Teves
Secretary
Department of Finance

Message

Economies throughout the world worked overtime to mitigate, where they cannot reverse, a dim growth scenario, as a global financial meltdown started ripping through the real sector in 2008. The Philippines was not spared from the economic backclash. However, it was more resilient than its peers in the ASEAN region in warding off the negative impact of the crisis.

The positive growth that the economy delivered in 2008 should not make us complacent, because the global economy is experiencing a deterioration of vital indicators. Our major trading partners and the most powerful economies have not been spared, which means we really need to work harder to avoid further contagion and to build up resistance so that the country will not be left behind when the global economy recovers.

When private capital is scarce and businesses are bearish about their sentiments, the government logically fills in the slack in order to stimulate economic activities. This was what we did during the year. We saw the need to alter our goal of a balanced budget in 2008 -- supposedly two years ahead of the original plan -- to accommodate more spending for infrastructure and social services. This resulted in a higher deficit of P68.1 billion or 0.9 percent of GDP, 449 percent more than the P12.4 billion we posted in 2007.

We had to loosen our fiscal stance to forestall an economic slowdown and to protect the marginalized sector. Fiscal sustainability should also be taken into account because the financing requirements of such public expenditures are enormous. This is why enhancing our revenues through both administrative and legislative measures remains on top of our agenda. At the same time, we need to promote public and private partnership to tap the resources and expertise of the private sector.

Going forward, a carefully designed fiscal stimulus has to be implemented with meticulous accountability and transparency. Public spending results in much-needed multiplier effect in terms of jobs created and economic gains that can benefit the less fortunate members of our society.

Finally, let me express my gratitude to and enjoin continued commitment of my colleagues in the DOF, our partners in all government agencies, the private sector and the international community. Together, we can pave the road to recovery and build a more prosperous Philippines.

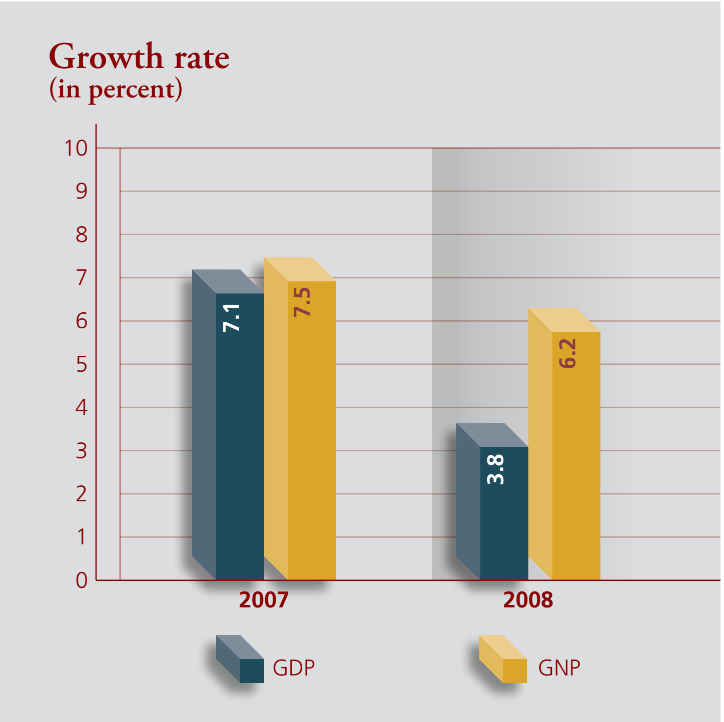
Margarito B. Teves

Economic Highlights

In 2008, the US economy fell into recession, prompted by the worst financial crisis since the Great Depression. This sent ripples of turmoil across the globe, dampening growth prospects for the rest of the world economies. The Philippine economy was no exception as the crisis brought myriad of challenges, including uncertainties in the labor front with a number of Overseas Filipino Workers (OFWs) losing their jobs in host economies, as well as the steep decline of the export sector.

In spite of the negative developments, the economy managed to post a modest 3.8 percent real GDP growth, a deceleration from the 7.1 percent expansion in 2007.

Growth remained broad-based, fueled by industry and services, growing 5.0 percent and 3.3 percent, respectively. On expenditure side, government consumption, private consumption and investment were growth drivers, as exports posted a 1.9 percent decline.



Growth rate, by sector
(in percent)

	2007	2008
Agriculture	4.8	3.2
Industry	6.8	5.0
Services	8.1	3.3

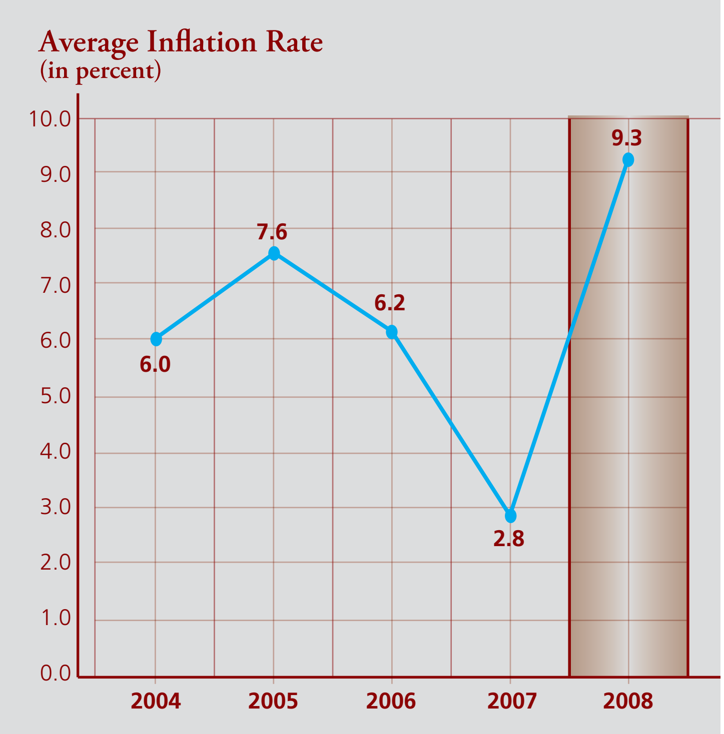
Growth rate, by expenditure
(in percent)

	2007	2008
Personal consumption	5.8	4.7
Government Consumption	6.6	3.2
Capital formation	12.4	1.7
o.w. Government Investment	24.7	20.7
Exports	5.4	-1.9
Imports	-4.2	2.4

Rising food and oil prices particularly in the early part of the year sparked headline inflation to accelerate to 9.3 percent in 2008 from 2.8 percent in 2007. This compares with Indonesia's 11.1 percent and Vietnam's 19.9 percent.

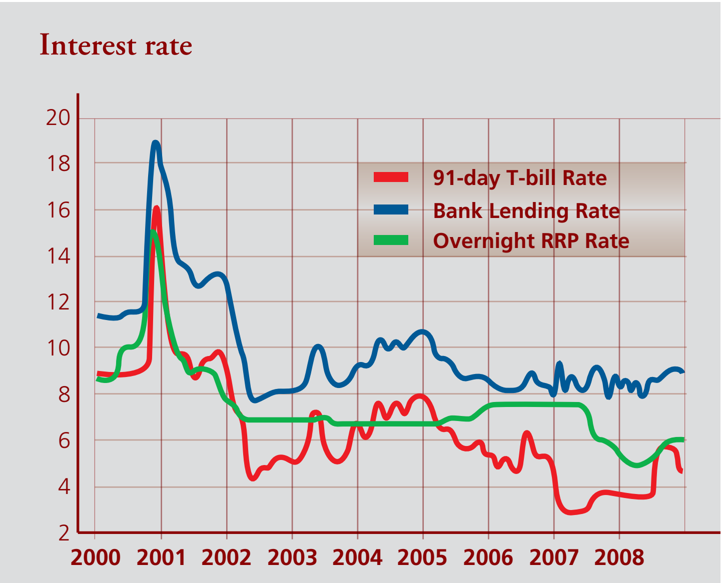
The spike in inflation triggered hikes in interest rates, with the benchmark 91-day T-Bill rate averaging 5.4 percent, as against 3.4 percent in previous year. The Bangko Sentral ng Pilipinas (BSP) maintained a policy of letting market forces determine interest rate levels while closely watching the moves of the U. S. Federal Reserve. Uncertainties brought by the global crisis rendered monetary policy an important tool among many central banks, including those in the U.S. and Europe. Many reduced their policy rates to stimulate economic activity while maintaining appropriate inflation level.

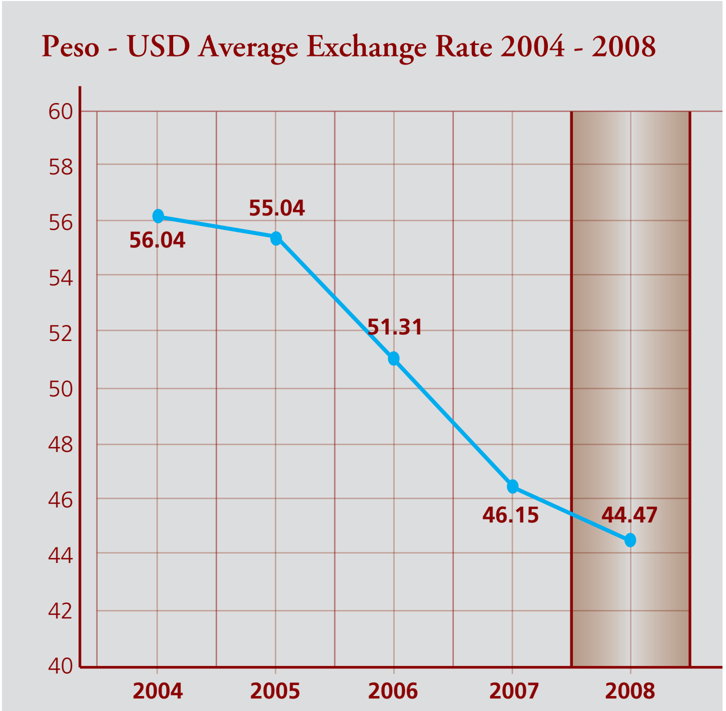
Meanwhile, the Philippine peso strengthened by about 15.0 percent during the year when average exchange rate went up to P44.47 to the US dollar compared to an average of P46.15 in 2007, softening the impact of rising prices of imported fuel and rice. Exporters, however, were more concerned about the damage of slackening global demand on exports than the adverse impact of a strong peso on their dollar earnings. Similarly, OFWs were more worried of possible retrenchment than falling peso equivalence of their dollar remittances. Up to recently, they have been contributing about 10.0 percent of the country's annual GDP. In 2008, OFW remittances reached US$16.4 billion,13.7 percent higher than the year-earlier level.



The difficult economic environment during the year proved to be a challenge for the DOF in terms of revenue generation. The National Government incurred a deficit of P68.1 billion in 2008, or 0.9 percent of GDP. This was 449 percent more than the 2007 deficit level of P12.4 billion, but below the program of P75 billion. Total revenues reached P1.2 trillion, 16.2 percent of GDP and 5.8 percent more than the previous year.

The government intentionally pursued a deficit financing mode, setting aside the balanced budget goal for the moment, in order to soften the impact of the global financial crisis on the economy. Deficit spending allowed government leeway to spend on time-bound subsidies like worker skills training, scholarship grant, educational assistance and conditional cash transfer.





Fiscal Management

Budget deficit below program by P6.9 billion

Particulars	2007 Actual	January – December (In P Billion)			Growth Rate 2007-2008
		2008 Program	2008 Actual	Variance	
Total Revenues	1,136.6	1,225.2	1,202.9	(22.3)	5.8%
Tax Revenues	932.9	1,093.4	1,049.2	(44.2)	12.5%
BIR	713.6	810.0	778.6	(31.4)	9.1%
BOC	209.4	274.1	260.2	(13.8)	24.3%
Other Offices	9.9	9.4	10.4	1.0	4.7%
Non-Tax Revenues	203.5	131.7	153.7	22.0	(24.5%)
BTr Income	67.9	57.3	63.7	6.4	(6.3%)
Fees and Charges	21.6	40.5	58.6	18.1	30.5%
Privatization	90.6	34.0	31.3	(2.7)	(65.5%)
Grants	0.1	0	0.1	0.1	(16.7%)
Expenditures	1,149.0	1,300.2	1,271.0	(29.1)	10.6%
Surplus/Deficit	(12.4)	(75.0)	(68.1)	6.9	449.2%

The National Government incurred a budget deficit of P68.1 billion or 0.9 percent of GDP for 2008. The gap was wider compared to the 2007 deficit of P12.4 billion, but it was P6.9 billion lower than the programmed ceiling of P75 billion. Prudent spending and robust non-tax revenues, which offset shortfalls in tax revenues resulted in the lower deficit.

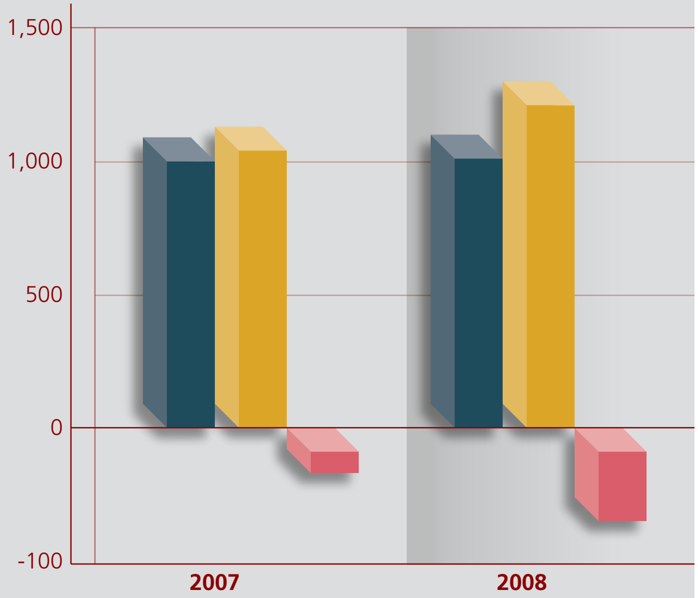
Revenues year-on-year posted positive growth

Revenues for the year grew 5.8 percent to P1,202.9 billion in 2008 from P1,136.6 billion in 2007. Against the program, however, revenues fell short by P22.3 billion. The Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC), which comprised 86 percent of total revenues, reported improvements in collections of 9.1 percent and 24.3 percent, respectively.

The growth of BIR collections was dampened by the softening of economic growth and the passage of RA 9504 which raised personal exemptions for individual taxpayers effective July 2008. On the other hand, BOC gained from the increase in oil prices, which more than offset the negative impact of the peso appreciation and slackening demand for imports.

On non-tax revenues, the Bureau of the Treasury (BTr) delivered collections of P63.7 billion, exceeding its target of P57.3 billion. Collections from fees and charges of P58.6 billion accounted for the significant increase in non-tax revenues, exceeding the target by P18.0 billion. Privatization contributed P31.3 billion.

NG Fiscal Performance



	2007	2008
Revenues	1,136.6	1,202.9
Expenditures	1,149.0	1,271.0
Deficit	-12.4	-68.1

Expenditures on manageable level

Government disbursements reached P1, 271.0 billion, up by 11 percent over the same period in 2007, but it was P29.1 billion below the programmed expenditures. It should be noted that interest payments comprised 21 percent of the total expenditures, the net of which will result in a higher primary surplus of P204.1 billion.

Tax Administration

Sustained tax administration reforms

To further improve the tax collection performance of the National Government, the DOF continued to build on the momentum of the tax administration reforms that were initiated in 2005. As of December 2008, the Run After Tax Evaders (RATE) Program of the BIR has filed with the Department of Justice (DOJ) and various courts 120 tax evasion and estafa cases. Correspondingly, the BOC's Run After The Smugglers (RATS) Program has filed 83 cases with the DOJ, courts and the Ombudsman, of which 23 cases were added in 2008 compared with 32 cases in 2007.

The Revenue Integrity Protection Service (RIPS) Program has made a significant impact as an anti-corruption entity since its inception in 2003, receiving and investigating 130 reports of unexplained wealth, graft and corruption, and other illegal activities on a yearly basis. RIPS has filed 66 cases before the Office of the Ombudsman against 98 public officials and personnel from the Bureau of Internal Revenue (BIR), Bureau of Customs (BOC), Bureau of Local Government Finance (BLGF), Department of Finance (DOF) and the Cooperative Development Authority (CDA). Nineteen (19) of the cases were filed in 2008, resulting in preventive suspension or dismissal of 14 personnel.

Privatization

Privatization buttressed fiscal balance

The Philippine Government's Privatization Program has proven to be successful in generating revenues for Government over the past twenty-two years since its inception in 1987. The program has played a key role in strengthening the role of the private sector as an engine for development, while at the same time creating a favorable investment climate. Likewise, it has broadened ownership base and helped develop capital markets. It continues to be a valuable source of funding for priority government expenditures.

NG Privatization Program
(in billion Pesos)

Year	2007	2008	Total
Gross Revenues	P103.2	P36.2	P182.3
Remittances to National Treasury	P90.6	P31.3	P159.6

Despite difficult market conditions which tempered privatization effort, gross revenues from privatization generated P36.2 billion in 2008, of which P31.3 billion was remitted to the National Treasury. The major privatization transactions for the year include the following:

(a) sale of 40 percent stake in Petron Corporation for P25.7 billion; and
(b) sale of 10 percent MERALCO shares for P8.8 billion.

CPSFP in surplus for the first 11 months of 2008

Particulars	2007 Actual (P Billion)	2008 January – December	
		Program (BESF)	Actual
Total Surplus/Deficit	24.2	56.8	28.7
% of GDP	0.4	-0.2	0.4
NG	(12.4)	0.0	(68.1)
CB Restructuring	(8.2)	(10.6)	(9.6)
14 MNFGCs	57.9	(16.5)	(27.7)
SSIs	34.2	51.3	66.7
BSP	(89.2)	1.0	9.4
GFIs	5.9	7.1	7.5
LGUs	24.7	13.6	34.4
Adjustments	11.3	11.0	13.8

The Consolidated Public Sector Financial Position (CPSFP) remained sound, as it posted a surplus of P28.7 billion (equivalent to 0.4 percent of GDP) for 2008, surpassing the 2007 level of P24.2 billion by 18.6 percent. This figure though stood below the programmed surplus of P56.8 billion.

The Social Security Institutions (SSIs) contributed significantly to the overall surplus position as they posted an aggregate surplus of P66.7 billion which was almost twice the previous year's level of P34.2 billion. SSIs' higher-than-projected performance was attributed substantially to higher investment income of GSIS especially from holdings of NG securities. LGUs likewise made a significant jump as their combined surplus reached P34.4 billion compared with the program of P13.6 billion and the 2007 level of P24.7 billion. This was mainly due to increasing internal revenue allotments from the national government. The BSP also reported a huge surplus of P9.4 billion primarily due to lower costs of monetary management.

Secured Passage of Tax and Economic Legislation

The DOF, in coordination with concerned committees in both chambers of Congress, worked for the passage of the following major tax and economic reform measures:

1. **Republic Act 9504 (Restructuring the Individual Income Tax System)**. Enacted on June 17, 2008, this law entitles minimum wage earners to full income tax exemptions effective July 6, 2008. It also increased the personal as well as additional exemptions received by individual taxpayers as follows:

Taxpayer	Personal Exemption		Additional Exemption	
	Old	New	Old	New
Single	P20,000	P50,000		
Head of the family	P25,000	P50,000		
Married	P32,000	P50,000	P8,000 for each dependent not exceeding four (4)	P25,000 for each dependent not exceeding four (4)

2. **Republic Act 9505 (Personal Equity and Retirement Account Act of 2008)**. This landmark law, which was signed by the President on 22 August 2008, institutionalizes a voluntary provident savings plan that will complement the mandatory retirement system and provides an alternative investment product (called PERA) to encourage people to invest and save for future needs. The PERA is viewed to contribute to long-term fiscal sustainability through the provision of long-term financing and rationalization of social pension benefits. It has the following salient features:

   - Income tax credit for the contributor or saver to the PERA, which is equivalent to five percent (5%) of the total PERA contribution: Provided, however, that in no instance can there be any refund of the said tax credit arising from the PERA contributions. If the contributor is an overseas Filipino, he shall be entitled to claim tax credit for any tax payable to the national government under the National Internal Revenue Code of 1997, As Amended; and

   - Tax exemption of income from investments and re-investments of maximum amount allowed.

3. **Republic Act 9510 (Credit Information Systems Act)**. Signed into law on October 31, 2009, this Act establishes the Credit Information Corporation that will create a comprehensive and centralized credit information system that addresses the need of financial institutions for reliable information regarding the credit standing and track record of borrowers.

   The operations and services of a credit information system can be expected to: greatly improve the overall availability of credit especially to micro, small and medium-scale enterprises; provide mechanisms to make credit more cost-effective; and reduce the excessive dependence on collateral to secure credit facilities.

4. **Republic Act 9513 (Renewable Energy Act)**. Enacted on December 11, 2008, this law lays down the framework for the development and utilization of renewable energy resources. It provides for fiscal incentives in recognition of the long-term positive impact of utilizing renewable energy on the environment. The law has the following incentive features:

   - Tax incentives for all renewable energy (RE) developers, including hybrid and cogeneration systems;

   - Income tax holiday, tax credit and other incentives for RE commercialization, all manufacturers, fabricators, and suppliers of locally-produced RE equipment and components duly recognized and accredited by the DOE;

   - VAT exemption on all types of agricultural inputs, equipment and machinery for all farmers engaged in the plantation of biomass resources; and

   - Tax rebate for all or part of the tax paid for the purchase of RE equipment for residential, industrial or community use.

The following measures are likewise under various stages of the legislative process:

1. **Simplified Net Income Taxation Scheme (SNITS)**. This bill seeks to address the tax avoidance practices of self-employed taxpayers by providing a limit on the allowable deduction of business expenses.

2. **Rationalization of Fiscal Incentives**. This bill intends to adopt a single fiscal incentives law and make it an efficient and effective tool for investment promotion. It has the following salient features:

   - The grant of Income Tax Holiday (ITH) shall be limited only to exporters and domestic enterprise undertaking strategic projects;
   - The ITH shall be phased out after six (6) years from the effectivity of the law;
   - Reduced Income Tax (RIT) may be granted to domestic enterprises located in thirty (30) poorest provinces;
   - VAT and duty exemption on importation used exclusively in the registered activity shall be granted only to exporters;
   - All Investment Promotion Agencies (IPAs) shall submit their annual expenditures and other tax incentives-related data to DOF.

Government Corporate Sector

Resilient bottom line for 14 Monitored Non-Financial Government Corporations

The financial operations of the 14 Monitored Non-Financial Government Corporations (MNFGCs) resulted in a deficit of P27.7 billion in 2008, 58.0 percent better compared to the programmed deficit of P47.8 billion. However, because of the higher financing requirements of the National Food Authority (NFA) resulting from the unusual increase in rice prices, the 2007 combined surplus of the MNFGCs reversed into a deficit.

Fiscal Performance of GOCCs, GFIs & SSIs
(in P billion)

Particulars	2007 Actual	2008 Program	2008 Actual	08 vs 07 Actual	08 vs 07 Growth Rate
14 MNFGCs	57.93	(47.83)	(27.69)	(85.61)	-147.78%
GFIs (DBP, LBP, TIDCORP)	5.94	6.64	7.50	1.56	26%
SSIs (GSIS, SSS, PHIC)	34.20	56.86	66.70	32.50	95.02%
Total CPS Surplus/ Deficit GDP	36.35	(23.59)	32.31	(4.05)	23.5%

Robust profitability of Government Financial Institutions and Social Security Institutions

The GFIs -- composed of the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Philippine Export-Import Credit Agency (PhilEXIM) -- reported an aggregate cash surplus of P7.5 billion for 2008. This was a 26 percent growth compared to the 2007 level of P5.9 billion and 13 percent or P862 million higher than the 2008 full year program of P6.6 billion. The LBP contributed the most to the GFI surplus because of higher income resulting from expansion of credit outreach which translated to higher volume of loans to priority sectors.

Consolidated net earnings of SSIs (GSIS, SSS, PHIC) followed the same trend, almost doubling to P66.7 billion against the end-2007 level of P34.2 billion. Actual earnings likewise were 17.6 percent (P9.8 billion) higher than the full year program of P56.9 Billion. GSIS' improved realized investment income and PHIC's receipt of P1.4 Billion subsidy in December 2008 for the government's indigent health program accounted significantly for the strong financial performance of the SSIs.

Collections sustained fiscal consolidation program

Total contributions of the government corporate sector inclusive of dividends, guarantee fees, interest on advances, foreign exchange risk cover fee and NG shares on income received from PAGCOR & MIAA reached P23.50 billion. This was 36 percent lower than the 2007 level of P36.9 Billion. The downtrend in 2008 collections is mainly attributed to current receivables from GOCCs.

COLLECTIONS FROM GOCCs		2008 FY Program (P Billion)	January - December (P Billion)				% of '08 Actual vs. FY Prog
			2007	2008	Inc (Dec)	% Inc (Dec)	
A.	Dividends	4.00	9.16	6.79	(2.37)	-26%	69.8%
B.	Guarantee Fee	2.00	10.35	3.47	(6.88)	-67%	73.5%
C.	Interest on Advances	0.50	4.02	0.37	(3.65)	-91%	-26.0%
D.	Foreign Exchange Risk Cover Fee	1.70	1.18	1.04	(0.13)	-11%	-38.8%
E.	NG Share - Airport Terminal Fee	0.31	0.39	0.32	(0.08)	-19%	3.2%
F.	NG Shares on Income Received (PAGCOR & MIAA)	12.62	11.79	11.51	(0.28)	-2%	-8.8%
TOTAL COLLECTIONS FROM GOCCs		**21.13**	**36.89**	**23.50**	**(13.39)**	**-36%**	**11.2%**

Optimized Debt Liquidation

Taking advantage of the peso appreciation, the following GOCCs and GFIs, upon the DOF's approval, prepaid their loans, resulting in savings on their various financing costs, such as interest and guarantee fees in the amount of US$2.4 million, as well as reduced contingent liabilities on the National Government (NG) side.

1. PSALM's various ODA loans (absorbed from NPC) with total prepayments of US$1.3 Billion;

2. PNOC's US$17.74 Million full prepayment of its US$175.0 Million 5-Year Syndicated Term Loan and Brady Bond Redemption payable to NG amounting to US$4.46 Million;

3. DBP's full prepayment for:
   - IBRD Currency Pool Loans (CPLs) – MERALCO (US$10.94 Million) and PLDT (US$17.30 Million)
   - ODA Loans from Korean Export-Import Bank/ Economic Development and Cooperation Fund (K-EXIM/EDCF) with outstanding balance of KRW4.1 Billion and Nordic Development Fund (NDF) for Training and Technical Assistance with outstanding balance of EUR2.4 Million

Promoted and strengthened good corporate governance

The DOF,having oversight over GOCCs and GFIs in the country, continued to step up efforts to strengthen corporate governance in the country in order to promote greater transparency and accountability, improve operational efficiency, attract investments and hasten growth for the corporate sector and the economy. The DOF move is in compliance with the Memorandum from the President dated 10 April 2007 titled "Further Good Corporate Governance in Government Owned and/or Controlled Corporations and Government Financial Institutions", setting the following measures that need to be undertaken:

- The DOF shall develop a performance evaluation system (PES) for GOCCs/GFIs, which shall be used to evaluate the yearly performance of the Board of Directors/Board of Trustees;

- All Board of Directors/Trustees shall undergo Orientation Seminar on Corporate Governance;

- The Board of Directors/Trustees shall set-up and organize the appropriate board committees (e.g. Audit Committee, Governance Committee) towards ensuring good corporate governance.

The DOF has partnered with the Institute of Corporate Directors (ICD) in developing a PES for the government corporate sector. It has agreed to adopt a revised version of ICD's Corporate Governance Scorecard System in evaluating the performance of GOCCs and GFIs. In pursuit of this initiative, the DOF facilitated and coordinated the following activities:

1. Session of the Special Corporate Governance (CG) Circle on 11 June 2008 where the top ten GOCCs/GFIs that scored highest in the CG scorecard conducted by the ICD in 2006 signed a commitment of support to further the CG practices in the government corporate sector.

The top 10 performers in terms of compliance in CG practices are as follows:

- Bases Conversion Development Authority (BCDA)
- Development Academy of the Philippines (DAP)
- Development Bank of the Philippines (DBP)
- Land Bank of the Philippines (LBP)
- National Transmission Corporation (NTC)
- National Electrification Administration (NEA)
- Philippine Deposit Insurance Corporation (PDIC)
- Philippine Export Import Credit Agency (PhilExim)
- Philippine Health Insurance Corporation (PHIC)
- Philippine National Oil Corporation (PNOC)

2. Special CG Working Session by the top ten GOCCs/GFIs on 22 August 2008, through the auspices of DBP (the top ranked GOCC in CG practices per the ICD), resulting in the DOF accomplishing the following:
   - Completed the self-rating assessment of individual corporation's level of compliance with the President's Memorandum in terms of attendance to orientation seminar, creation of board committees and performance evaluation system.
   - Encouraged the GOCCs/GFIs to go beyond compliance and start crafting a corporate governance improvement pathway (CGIP) within their respective organizations.

- Proposed the conduct of outreach program for other GOCCs/GFIs that may be in need of inspiration and help to improve their corporate governance practices.

3. Palawan Working Session on 19-21 November 2008 with the theme "Corporate Governance Performance: The Higher Level Index" .

Launched the Philippine Water Revolving Fund

The DOF, backed by the United States Agency for International Development (USAID) and the Japan International Cooperation Agency (JICA), spearheaded the launching of the Philippine Water Revolving Fund (PWRF) last October 20, 2008. The National Government, thru the DOF, provided for a P300.0 Million seed capital for the creation of a Project Development and Efficiency Improvement Fund (PDEIF). The PDEIF, presently lodged and administered by Local Water Utilities Administration (LWUA), aims to facilitate the graduation of water utilities to become creditworthy by providing them concessional financing for project development and efficiency improvement. The PWRF is specifically designed to leverage Official Development Assistance (ODA) funds to bring in private capital into water supply and sanitation sector financing.

Debt Management

Strategic Debt Management amid a Global Economic Slump

Through the course of the worst economic crisis in eighty (80) years since the Great Depression, the Department of Finance (DOF) managed to maintain its liquid cash position. Strategic debt management strategy allowed the National Government leeway needed to loosen its fiscal stance to cushion the domestic economy from a looming global recession, without jeopardizing debt indicators.

At the end of 2008, NG's total debt stock (net of guaranteed and contingent debt) grew by 13.7 percent to P4.22 trillion from the previous year's level of P3.71 trillion, with both the domestic debt and the foreign debt rising. This was a reversal from previous year when total outstanding debt declined by 3.6 percent. The increase in outstanding debt was due mainly to the following:

- volatilities in the exchange rate;
- increase in borrowings to finance maturing obligations; and
- wider budget shortfall arising from planned stimulus program.

National Government Outstanding Debt

(In P billion)

Particulars	2007	2008
Domestic	2,201,167	2,414,428
Foreign	1,511,320	1,806,475
Total	3,712,487	4,220,903

Of the total debt stock, P2.41 trillion or about 57 percent was owed to domestic creditors while P1.81 trillion or 43 percent was secured from foreign lenders. Debt-to-GDP ratio for 2008 moved up slightly from 55.8 percent in 2007 to 56.3 percent in 2008. The NG debt portfolio, on the other hand, continued to carry more medium to long-term debts.

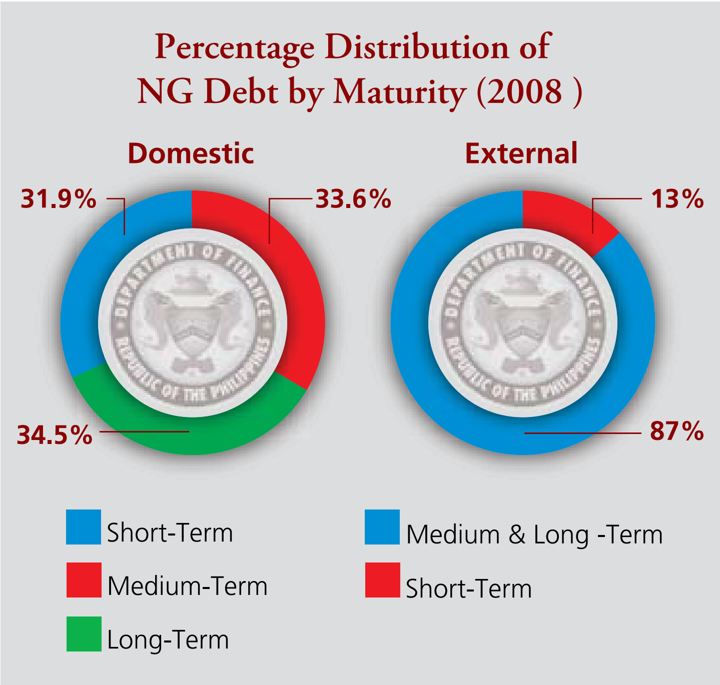
Relied heavily on domestic borrowings to minimize risk

In 2008, the NG relied heavily on domestic loans rather than foreign borrowings to pay for its maturing debts and to finance its budgetary needs. This was intended to minimize currency or foreign exchange rate risks heightened by the US-led financial crisis. Financing mix continued to be in favor of the domestic debt market in 2008 amid global uncertainties with an 86:14 ratio, a significant increase in the share of the domestic creditors from the 2007 mix of 73:27. Thus, with the increased borrowings for 2008, total net financing increased by 62.0 percent to P160.62 billion from year-ago's P99.11 billion.

Domestic debt rose by P213.3 billion in 2008 or an increase of 9.7 percent from a year earlier arising primarily from the significant increase in the issuance of the government securities such as Treasury bills and Treasury bonds. Gross domestic borrowings totaled P429.8 billion, up by 31 percent from last year's P326.9 billion. Treasury bills and Treasury bonds/notes still accounted for 99.0 percent of the NG's total domestic obligations.

Similarly, the government's foreign debt went up P295.2 billion or 19.5 percent more than the P1.5 trillion recorded in 2007. The external debt portfolio of the country remained more medium and long term tenored, accounting for 87.0 percent. Average maturity of medium- to long-term foreign debt continued to lengthen from 18.9 years in 2007 to 19.8 years in 2008.

Despite the interest rates yielding higher than the program for the year, the NG still managed to generate savings of P17.9 billion in interest payments. The bellwether 91-day Treasury Bill rate averaged 5.4 percent, higher than the assumed rate of 4.0 percent



Official Development Assistance focused on infrastructure and agriculture

For 2008, the DOF, on behalf of the Republic, signed loan agreements with various bilateral and multilateral partners amounting to US$2.05 billion compared with US$1.8 billion in 2007.

Project loans accounted for 58.7 percent or US$1.204 billion. Four (4) of these loans, amounting to US$862.4 million, are intended to boost the country's infrastructure while six (6) loans, totaling US$342.1 million are aimed at promoting food security, environment protection, agricultural development and agrarian reform projects.

The DOF also tapped three (3) program loans from the Asian Development Bank amounting to US$850 million to strengthen local governance and implement reforms and programs in the justice system.

Commercial borrowings successfully tapped amid economic volatility

Republic of the Philippines US$500 Million Tap/Reopening of 6.375% due 2032

The National Government tapped the debt capital markets on February 5, 2008 for its external commercial financing requirement with the reopening of the existing Republic of the Philippines (ROP) global bonds due 2032 in an additional aggregate principal amount of US$500 million.

The additional issue was priced at 98.000 percent to yield 6.541 percent, or an equivalent of 220.5 bps over the relevant benchmark U.S. Treasuries. This brought the total issue size of the ROP global bonds due 2032 to US$1.5 Billion (from its original issue amount of US$1.0 Billion in January 2007). The government took advantage of the deal after it received an outlook upgrade from Moody's. The yield was considered comparable with those of previous deals by other sovereigns despite a challenging market environment arising from the looming U.S. recession.

The entire offering was completed in under 12 hours of marketing, and drew US$4.6 billion in order book*, representing 9 times oversubscription. Around 190 accounts participated in the offering, with Asia allocated 44 percent (of which the 20 percent represented Philippine domestic bids), Europe (allocated 27 percent) and the United States (allocated 29 percent). By investor type, funds and asset managers were allocated 46 percent; banks, 41 percent; insurance and pension funds, 13 percent; and the remaining 1% went to retail.

** A compiled list of orders (prices at which traders are willing to buy or sell) received.*

Republic of the Philippines Debt Exchange Warrants Series A-1 and Series B-1

Following the phased implementation of Basel II requirement for risk weighting of investment portfolios among the local banks, the Republic's international (foreign currency denominated) debt instruments will carry a 100 percent risk-weighting (compared to 0 percent for Peso-denominated Government Securities) upon full implementation by January 2009. Consequently, domestic banks must reserve 10 percent more of capital against holdings such ROP international debt instrument. This prudential policy, however, would result in declining demand for ROP international sovereign bonds (leading to wider credit spreads for the Republic).

To this end, the Republic issued the Debt Exchange Warrants series A-1 and series B-1 on February 29, 2008 and June 6, 2008, respectively. The Warrants give holders the right to exchange US$ or Euro denominated ROP debt instruments into Philippine Peso debt ("PHP Government Securities" or "PHP GS") in the event of (and only upon) a Philippine international debt default. This right to exchange allows Philippine domestic banks to maintain a 0 percent risk weighting on any foreign currency government debt paired with the Warrants, for up to 50 percent of the banks' regulatory capital. Series A-1 Warrants covers eligible external debts maturing prior to November 2017 that can be exchanged into PHP GS maturing in January 2018, while Series B-1 Warrants covers eligible external debts maturing between November 2017 and September 2032 that can be exchanged into PHP GS maturing in November 2032.

The Republic of the Philippines Debt Exchange Warrants Transaction Wins The Best Deal from the Asset Country Awards 2008

The Republic of the Philippines ("RoP") US$4.25 billion Debt Exchange Warrants transaction is the winner of The Best Philippines Deal in The Asset Country Awards 2008.

The Warrants transaction was structured to help mitigate potential sell-offs by Philippine domestic banks of thier foreign currency denominated government bond holdings, following implementation of Basel II in the country. Warrants were issued to Philippine banks which enabled them to retain their foreign currency denominated RoP sovereign bonds without allocating additional capital vis-avis Basel I. By mitigating the need for additional capital allocation, the cost of holding such bonds will be lower, thereby allowing the banks to hold such instruments with lower yield requirements.

By allowing the banks to continue holding such RoP securities cost effectively, the administration also helped steer the banks away from other investment grade rated structed credit investments which, despite carrying lower risk-weightings, have seen their valuations severely impaired since the credit crisis unfolded last year. Lower yeilds for the RoP international bonds also benefit the administration in achieving an overall lower of funding, which utimately serve as a better benchmark for other Philippine borrowers to tap the international market.

National Treasurer Roberto Tan said, "We are delighted to receive the award. The Debt Warrants transaction was very successful and fully met our objectives. The instruments have proven especially useful amidst the current volatile market environment where banks need to bolster their capital positions."

A market participant said the deal was exceptionally well-timed and highly innovative in structure. He was impressed that the instruments mitigated key regulatory as well as capital concerns for local banks, while preventing a potentially significant sell-off of the country's foreign currency denominated debt. He added, "The government successfully implemented a truly win-win solution."

National Government Direct Loans Signed in 2008

No.	Project/Program Name	Executing Agency/ies	Original Currency	Loan Agreement Signing Date
Asian Development Bank (ADB)				
1	Local Government Finance and Budget Reform Program	DOF	JPY equiv of US$300 million	February 22, 2008
2	Development Policy Support Program, Subprogram 2	DOF	US$250 million	October 7, 2008
3	Agrarian Reform Communities Project II (co-financing with OFID)	DAR	US$70 million	December 8, 2008
4	Governance in Justice Sector Reform Program - Subprogram 1	DOJ & SC	US$300 million	December 18, 2008
International Bank for Reconstruction and Development (IBRD)				
5	National Roads Improvement and Management Project 2	DPWH	US$232 million	October 24, 2008
6	Food Crisis Response Development Policy Loan	DOF	US$200 million	December 16, 2008
International Fund for Agricultural Development (IFAD)				
7	Second Cordillera Highland Agricultural Resource Management Project (CHARM2)	DA	SDR16.150 million	June 4, 2008
OPEC Fund for International Development (OFID)				
8	Second Cordillera Highland Agricultural Resource Management Project (CHARM2)	DA	US$10.0 million	December 17, 2008
9	Agrarian Reform Communities Project II (co-financing with ADB)	DAR	US$30 million	December 17, 2008
Austrian Government				
10	Bridge Construction Acceleration Project for Calamity Stricken Areas (BCAP)	DPWH	€23 million	April 18, 2008
French Government				
11	President’s Bridge Program - Mega Bridges for Urban and Rural Development Project	DPWH	JPY27,538,546,480	September 4, 2008
12	President’s Bridge Program - Tulay ng Pangulo Para sa Kaunlarang Pang-Agraryo	DAR	€229,320,695	December 24, 2008
German Government				
13	Community-Based Forest and Mangrove Management Project	DENR	€4 million	December 24, 2008

Press Highlights *The Philippines, master of timing - FinanceAsia*

FinanceAsia.com

31 Jan 2008

The sovereign finds a market window to price its long-awaited $500 million bond deal, achieveing tight pricing and good secondary performance.

The Republic of the Philippines priced its long-awaited $500 million sovereign deal late on Tuesday evening in a transaction that was praised by rival bankers for its speed of execution and the pricing levels it managed to achieve.

The deal managed by Credit Suisse and Deutsche Bank, priced 9bp back in yield terms from the existing 2031 bonds, closing "with the least discount possible", according to an investor who participated in the transaction. "As usual, the Philippines is masters in timing," he continued.

The bonds came at a yield of 6.54%, and a cash price of 98. The trade - a tap of the Philippines' existing 2032 bonds - priced just ahead of the Federal Reserve's announcement on interest rates, which was due in the the early hours of this morning. It also came in a market that on Tuesday, for the first time in two weeks, saw both asset classes (equity and credit) aligned across the three time zones, according to a market specialist. The deal was completed in 12 hours, with the books open for five hours in Asia, and one and half hours in Europe and the US, thereby minimising execution risk.

The scarcity value of the bonds played a big part in the success of the deal, since the sovereign announced early this year that it would limit its offshore borrowing to $500 million in 2008. As a result, despite a book that was nine times covered ($4.6 billion), the deal size was not increased, providing good clarity to the market. Moreover, the announcement last week that Moody's had changed the Philippines rating outlook from positive to stable nudged cautious investors to take a chance on a credit that enjoys strong fundamentals.

"The leads adopted a good strategy, suited to these markets," says a banker away from the transaction. "They announced the trade and then awaited to see its impact on the secondary market. Once it had settled, they issued an initial guidance which led to heavy levels of subscription. This then allowed them to revise guidance up by half a point.

Initial guidance was released at 97.375, with a yield of 6.59% and later revised to 97.875 (+/- 0.125) with a yield to 6.55%.

"There was a strong Asian bid,which is always good to see. The deal was timed well and priced tight, and the bonds performed well in the aftermarket. It was nice trade," says a rival banker.

The bonds were trading yesterday evening at 98.25 / 98.5, having performed weaker in the afternoon following reports from UBS, BNP Paribas and Merrill Lynch, but never traded below the re-offer price.

Press Highlights *Philippines' USD500m 2032 increase - Bond Radar*

bondradar

29 Jan 2008

The Republic of the Philippines, which expects balanced budgets in 2007 and 2008, today made its one-and-only visit to the international bond markets for the year. It added USD500m to its USD1bn January 2032s at a price of 98, a yield of 6.541% and a spread of 220.5bp over Treasuries.

Bankers spotted a 24-hour window for the trade, framed by Wednesday's FOMC meeting and the latter part of Monday's US equity session, which showed an improving tone. They released initial guidance of 97.375bp-area, whose centre gives a 6.59% yield, followed by final guidance of 97.875 (+/- 1/8).
Bankers said they had assembled a great order book, which totaled USD4.6bn and had 190 accounts. Domestic investors took 20%, 24% went to other Asian countries, 27% to Europe and 29% to the US. Banks took 40% funds and asset managers 26%; insurance, pension and SWFs 13% and retail investors 1%.

The outstanding bond was bid at 98.5, or 6.50% yield, before the announcement and afterwards at 98.25, or 6.52% yield. Bankers said the 4bp new-issue premium was the tightest since before last summer and was remarkable even in comparison to deals priced before that.

They said the deal had been helped by last Friday's outlook change by one of the rating agencies. The change, from stable to positive, was prompted by progress towards stabilization of the public-sector finances, a declining dependence on external financing and the successful anchoring of inflationary expectations by the Central Bank (the target was 4.5% for 2008 and CPI was 3.9% year-on-year in December 2007).

Bankers said that focused investors' minds on just how much the Philippines' economic fundamentals had improved. Economic growth is expected to be 7% in 2007, compared to an average of 5.2% in the previous five years, with analysts attributing the change to relative political stability, improving government finances and low interest rates.

Non-lead bankers said the deal had gone very well, helped by the fact that it has been widely known for some time that the borrower would only do USD500m this year. The timing and and execution of the deal were excellent, according to some non-leads.

FT.com FINANCIAL TIMES

The Philippines in $500m Sovereign Bond Offering

The Philippines launced an offer to sell $500m of sovereign bonds on Tuesday as it sought to take advantage of positive sentiment from an upgrade in credit rating outlook four days ago.

Manila is only the third Asian government to issue dollar bonds this year amid the recent global market turmoil that has led to wider credit spreads.

The change in the Philippines ratings outlook comes as the country expects to end a decade of budget deficits this year after imposing new and higher taxes from 2005. Higher tax collections helped narrow the fiscal shortfalls from a peak of 210bn pesos or 5 per cent of GDP in 2002 to an estimated 6bn-9bn pesos last year.

Higher tax revenues helped lower interest rates while providing government with funds to repay external debt and to embark on an ambitious plan to repair and build new roads, bridges and sea and air ports.

Source: Financial Times, 29 Jan 2008

capital markets THOMSON TCM Asia

Happy Days Are Here Again

Much better sentiment in Asia this morning thanks to the Philippines USD500m tap of the 32s which came through last night. It was a better of a deal, the more so in a year conspicuous by its lack of issuance so far. With capital markets still battered and threats of a US recession looming, only one other Asian sovereign has tested the G3 markets this year Indonesia with a US$2bn on January 10.

The deal priced at 98.00 to yield 6.541%, which represented a 220.6bp spread over the 30-year Treasury. In secondary this morning it traded up a little at 98.625. "Overall the market is more liquid than it has been for weeks," said one trader. CDSs are in across the board. iTraxx Investment Grade was in 3bp to 106/110 while Phil 5 yr is in 12bp to 196/202.

Source: Thomson Financial, 30 Jan 2008

REUTERS

Investors scramble for Philippines' $500M bond

The government's $500 million sovereign offering was more than eight times oversubscribed at the top end of its initial price guidance as investors bought into the country's rosier economic outlook.

Manila is only the third Asian government to offer a dollar bond deal this year as debt markets worldwide grapple with the fallout of the US subprime mortgage crisis and the resulting aversion to risk has led to a surge on borrowing costs.

Roberto Tan, the country's acting National Treasurer and Finance undersecretary, said on Wednesday underwriters booked $4.6 billion worth of orders for the re-opening of Manila's 2032 global bond at a price of 98.0.

The bond, which will be used to re-finance the Southeast Asian country's existing debt, offers investors a yield of 6.541 percent or 220.5 basis points over comparable US Treasury securities.

The government took advantage of a recent outlook upgrade from Moody's to tap overseas markets, which are slowly regaining their risk appetite after the Federal Reserve last week unexpectedly slashed US interest rates by 75 basis points.

Source: Reuters New, 30 Jan 2008

Local Government Finance

Municipal Development Fund Office: 10 Years of Strengthening Fiscal Autonomy and Technical Support to Local Development Initiatives

2008 marked an important milestone for the MDFO. A decade since its foundation through EO 41, MDFO has remained committed to its mandate of providing fiscal support and financial assistance for the growth and development of less-developed Local Government Units (LGUs). Through the years, it continues to be a major source of credit financing to support the devolution and decentralization of services from the national to the local level of governments, as well as promote fiscal discipline among 4th to 6th class LGUs, realize their development undertakings, and effectively deliver their devolved functions and services.

MDFO's Major Thrusts:

i. Administrator of the Municipal Development Fund-Second Generation Fund (MDF-SGF)

ii. Fund Administrator of Foreign Assisted Projects (FAPs) implemented by other National Agencies

iii. Implementer of Projects/ Programs for the LGUs

iv. Policy Formulation

MDFO's total collections for 2008, consisting of collections from LGUs' loan repayments, interests from investments and savings account, amounted to P10.32 billion. This was a 10 percent increase from 2007 level of P9.41 billion. This enabled MDFO to allot an additional P50 million from the Second Generation Fund (SGF) to implement a new financing window – the Project Technical Assistance and Contingency Fund (PTACF).

The PTACTF aims to provide optional funding for LGUs that availed of MDFO financing in the preparation of their contingency requirements. This project would also provide venue for those client LGUs to enhancing their skills and capabilities through the technical assistance provided to them. Highly urbanized cities in Metro Manila and key cities and provinces nationwide are not eligible to apply for this facility since these upper income class LGUs already have more advanced technical expertise.

The addition of PTACTF increased MDFO's financing windows to nine (9) and the total SGF allotment to P5.05 billion from P5 billion in the previous year. Eight (8) of the windows include Program Lending (PROLEND) and the Millennium Development (MDG) Fund.

Allocation of MDF-SGF by Financing Window

Financing Windows	Fund (In PMillion)
Program Lending (PROLEND)	2.0
Millennium Development Goal (MDG) Fund	0.5
Mindanao Basic Urban Services Sector Project (MBUSSP)	0.4
Municipal Development Fund Project (MDFP)	0.5
Philippine Water Revolving Fund (PWRF)	0.5
Project Technical Assistance and Contingency Fund (PTACF)	0.05
Laguna De Bay Institutional Strengthening and Community Participation Project (LISCOP)	0.1
Disaster Management Assistance Fund (DMAF)	0.2
Local Government Finance and Development Project (Stand-By Fund)	0.8
Total	5.05

In 2008, the MDFO-PGB committed a total pure loan of P830.81M using the Second Generation Fund (SGF). MDFO-PGB approved the following projects in 2008 which cover a wider range of local development initiatives:

- P443.8 million under PROLEND for the provinces of Rizal (Property Tax Administration), Davao Oriental (E-Governance of Local Revenue Generation and Management), Negros Occidental (E-governance Reform on Real Property Taxation and Health Service Delivery), and Biliran (Enhancement of Fiscal Management through Computerization)
- P205.76 million to cover 15 subprojects of 14 LGUs
- P96 million loan for the improvement of health facilities in 4 LGUs implemented under the Health Sector Reform Project (HSRP) of the Department of Health
- P85.25 million for the construction of public market in Suminot, Zamboanga del Sur and for the procurement of heavy equipment in New Corella, Davao del Norte under the MBUSS Project

Three (3) New Foreign Assisted Projects included in the MDFO Fund Conduit

The MDFO currently manages three (3) FAPs, namely, the Environment and Natural Resources Management Project (ENRMP), Integrated Coastal Resources Management Project (ICRMP), and the Health Sector Development Program (HSDP).

MDFO's LOGOFIND Project closed with high, positive impact

In 2008, MDFO ended another major program called the Local Government Finance and Development (LOGOFIND) Project, a US$60 million World Bank Loan, which aimed to provide the LGUs with investment projects and technical assistance activities for the improvement of local infrastructures and services, as well as local revenues through an efficient management of real property and business taxes. From 1998, when LOGOFIND started up to its closing in December 2008, MDFO extended about P1.13 billion in total loans and P1.09 billion worth of grants to 102 LGUs. The assistance has enabled beneficiary LGUs to implement various development initiatives in their respective areas.

Completed Local Infrastructure under LOGOFIND Project (as of 2008)

Sector	Type of Subproject	No. of LGUs
Education	School Buildings	36
	School Equipment/goods	7
Health	Health Center	21
	Hospital	3
	Medical Equipment	6
Revenue Generating	Public Market	12
	Water Supply	3
	Bus & Jeepney Terminal	2
Environment	Seawall	17
	River Protection	13
	Sanitation Facility (Park)	1
	Memorial Park	1
Consultancy	DED Preparation/ Consultancy	3
Equipment	Heavy Equipment	3

Consolidated LGU financial performance posted higher surplus

Based on consolidated Statement of Income and Expenditures (SIE) reports from the LGUs, surplus reached P38.32 billion, 16 percent higher compared to 2007 surplus of P26.9 billion. Over the past three years, the SIE of LGUs incurred surpluses at an average of P32.70 billion.

LGU Income and Expenditures

(In Billion Pesos)

	2006	2007	2008*
Income	225.833	237.197	258.323
Local Sources	75.408	79.378	86.149
Loans and Borrowings	6.186	5.058	3.934
Allotment and Shares	141.111	150.389	164.509
Other Sources *e.g. Extraordinary Receipts/ Grants, Interlocal Transfers*	3.128	2.372	3.731
Expenditures	192.909	210.337	220.006
Surplus	32.924	26.860	38.317

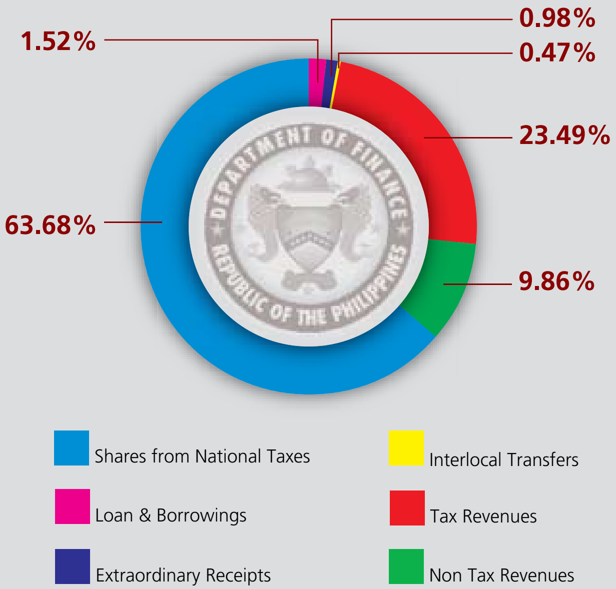
**Preliminary based on 90% submission of reports*

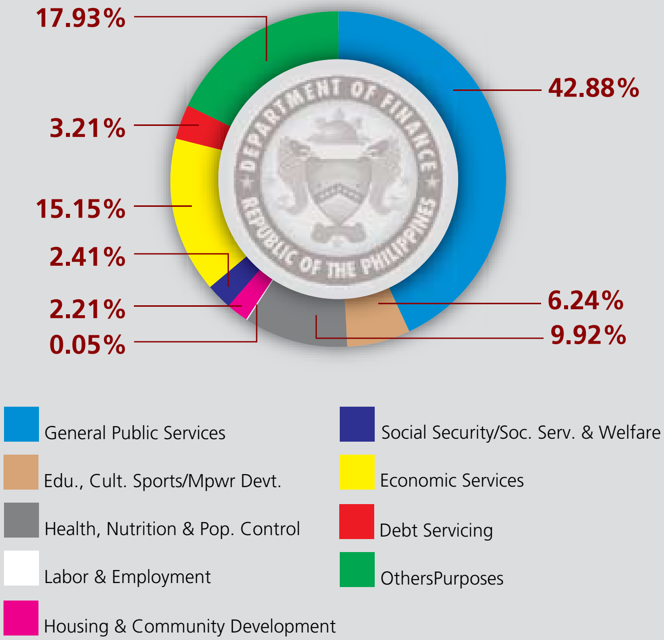
For the year 2008, transfers through internal revenue allotments (IRA) continues to be the main financial resource for the local governments, accounting for 63.68 percent of the LGU's total income. The figure is similar to the previous year's level of allotment. Only 23.49 percent came from tax revenues, 9.86 percent from non-tax revenues and 2.0 percent was derived from extraordinary receipts/aids and inter-local transfers.

On expenditures, 42.88 percent of LGUs' total spending went to general services. Social services, on the other hand, got a 20.83 percent share of the total budget which was divided to health, nutrition and population control, and education, culture and sports. A considerable amount of the total expenditures or 15.15 percent went to economic services, while the rest went to debt servicing and to other purposes such as calamity funds.

Since the start of the Revenue Generation Program in 1998, LGUs have continuously been striving to improve their collection efficiencies focused on locally sourced income with the continued development and strict implementation of tax collection enforcement programs. For 2008, LGUs accomplished a collection efficiency of 97.03 percent for all sources with actual collections for fees and charges, and economic enterprise both hitting beyond the set targets, thus, achieving 107.23 percent and 103.69 percent collection efficiencies, respectively. Non-traditional sources of financing like bond flotation and build-operate-transfer were also introduced to the LGUs by conducting comprehensive training programs nationwide.

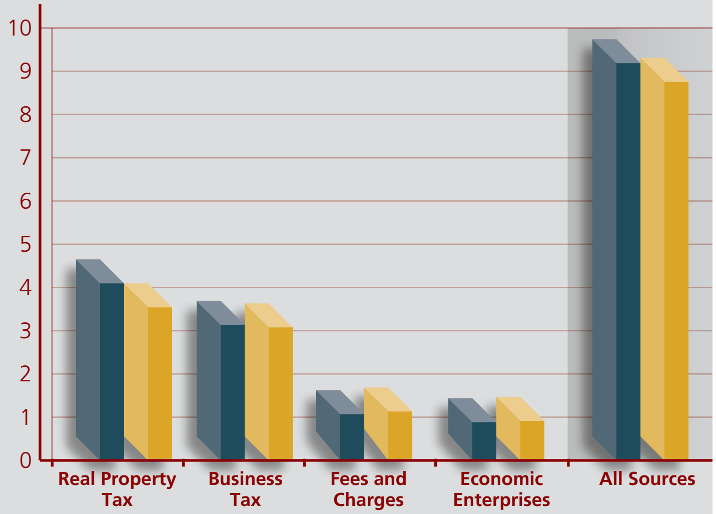
Income and Expenditure Profile of LGUs for 2008





Revenue Generation Program LGU Collection Efficiency

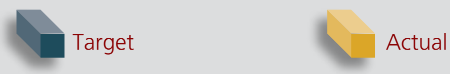
CY 2008



LGU INCOME BY SOURCE

- Real Property Tax — 91.45%
  Target: P40.418B
  Actual: P36.963B
- Business Tax — 98.88%
  Target: P31.767B
  Actual: P31.411B
- Fees and Charges — 107.23%
  Target: P10.336B
  Actual: P11.083B
- Economic Enterprise — 103.69%
  Target: P9.262B
  Actual: P9.603B

ALL SOURCES — 97.03%
Target: P91.785B
Actual: P89.063B



Microfinance Initiatives

The DOF-National Credit Council (NCC) has created a policy and regulatory environment that attracts more participation from the private sector to enter the microfinance market and provide (micro) financial services for the poor. Such initiative by the DOF-NCC follows the thrusts of the government to use microfinance as an important tool in alleviating poverty and strengthening the financial market.

In 2008, the DOF-NCC continued to implement activities under the Developing Financial Cooperatives Project. The Project is designed to strengthen credit cooperatives and cooperatives with savings and credit services to enable them to be an effective intermediary (especially for their members) in the financial market. It is also designed to transform the CDA into an effective regulatory and supervisory entity.

The DOF-NCC likewise entered into a Memorandum of Understanding with ADB in April 2008 to implement the Developing Microinsurance Project. The Project is intended to improve the overall regulatory environment for microinsurance services by providers, establish effective performance standards and promote microinsurance literacy among the poor.

Developing Financial Cooperatives

The Project has two components: Component A - improving performance of financial cooperatives through capacity building and Component B - strengthening the regulatory capacity of the CDA. Under Component A, the DOF pursued the following:

- Development and standardization of training modules for officials and personnel of the CDA and deputized federations on the following:
    - Manual of Rules and Regulations for Savings and Credit Cooperatives;
    - Standard Chart of Accounts;
    - Performance Standards (COOP-PESOS)
- Development and formulation of supervision and examination manual for CDA regulators and accredited/deputized federations.
- Conduct of Basic Training Course on Supervision and Regulation of Cooperatives with Savings and Credit Services for the CDA Staff and the members of CDA Board to equip them with knowledge and skills on how to regulate, supervise and examine SCCs. This was a follow up to the Corporate Governance Seminar for the CDA Board which was conducted in 2007.

Under Component B (strengthening the regulatory capacity of the CDA), the following are being implemented:

- Installation of a management information system supportive of CDA's regulatory and supervisory capacity;
- Provision of software and hardware support to CDA for the effective monitoring of cooperative performance; and
- Launching of Cooperative Information System (CIS), an electronic registration system that uses Cooperative Identification Numbers (CIN) that will improve registration and regulation for cooperatives.

Developing Microinsurance Project

While more poor are now able to avail of microcredit to increase their income and build on their assets which can improve their lives, they are however exposed to risk, such as death, injury and illness, loss of property and other contingent and unforeseen events.

This situation has prompted the DOF-NCC to review the current microinsurance policy and regulatory environment. In doing so, the DOF-NCC is implementing the Developing Microinsurance Project funded by the Japan Government thru the ADB.

The objective of the US$ 1.0 million assistance for Developing Microinsurance Project (JFPR Project No. 9118-PHI) that was signed on 17 March 2008 is to support a sound development of microinsurance as part of the microfinance services to protect the poor from unforeseen calamities and reduce severe poverty incidence. The Project has three components, namely: improving microinsurance regulatory framework; strengthening the capacity of government regulators and microinsurance providers and promoting financial literacy on microinsurance.

The NCC actively pursued amendments to the Cooperative Code and the Charter of the Cooperative Development Authority (CDA) to allow for restructuring of the CDA into an effective regulatory body and strengthening the operations of cooperatives through a strong regulatory and supervisory oversight.

Other Major Achievements of the NCC

- Pushed for the passage of the Credit Information System Act (RA 9510). This Law provides for the operation and services of a credit information system to improve the overall availability of credit to micro, small and medium-scale enterprises. It provides for mechanisms to make credit more cost- effective and reduce the excessive dependence on collateral to secure credit facilities.

- Provided technical support during deliberations in Congress of the then proposed bill on Magna Carta for Micro Small and Medium Enterprises and actively participated in the drafting of its IRR when it was signed into law (R.A. 9501).

- Continued in overseeing the strict implementation of the credit policy of the government as well as the National Strategy for Microfinance for the development of the financial sector.

The NCC conducts intensive training course on the Regulatory Tools for Financial Cooperatives to CDA officials and staff.

Global Cooperation

Asia-Pacific Economic Cooperation

The 15th Asia-Pacific Economic Cooperation (APEC) Finance Ministers Meeting was held in Trujillo, Peru on 5-6 November, 2008. Also attending the Trujillo Meeting were representatives of the International Monetary Fund, the World Bank, the Asian Development Bank, the Inter-American Development Bank, the Andean Development Corporation, and the Chair of the APEC Business Advisory Council (ABAC).

The Meeting focused on:

1) Global and Regional Economic Issues: Financial Market Turbulence and Food and Commodity Prices
2) Improving the Quality of Public Expenditure Spending
3) Capital Market Reforms

The Ministers pledged to work collaboratively and to coordinate action and support the critical role of the IMF in assisting affected economies. They also agreed to continue their active participation in the international financial policy dialogues. The Ministers' recognized the need to realize the APEC region's economic potential by drawing together the common interests of member economies and exploring opportunities for cooperation and capacity building. They realized that the work of finance ministers should be aligned with the broader APEC agenda and processes.

The Ministers committed to financial sector development and reforms to improve the competitiveness and efficient operation of markets. They welcomed the outcomes of the Ministerial Meeting on Structural Reform and will continue to support the APEC Economic Committee's work in this area. Ministers believe that prosperity within APEC economies, and globally, depends on maintaining their respective economies' commitment to free and open trade and investment. Ministers recognized the need to put in place policies that will restore financial systems and support economic activity.

The Ministers also recognized that it is necessary to ensure that regulatory frameworks, transport infrastructure and logistics capability are able to support the efficient movement, handling and marketing of food commodities across the entire food chain. Ministers tasked the APEC Policy Support Unit to undertake research into behind-the-border impediments within food supply chains.

ASEAN: ASEAN Finance Ministers' Investor Seminar

The ASEAN Finance Ministers held a high-level investment road show in Dubai on 8 October 2008 in a move to lure international capital from Gulf countries into the economies of ASEAN. The 5th ASEAN Finance Ministers' Investor Seminar brought ASEAN Finance Ministers together with selected business leaders and financial executives from the Gulf area to discuss recent regional development issues.

The Ministers reaffirmed their commitment to further strengthen economic and financial integration in the region. To bolster regional financial resilience and enhance ASEAN's competitive edge, the Ministers agreed to build up regional surveillance capability in ASEAN Secretariat. The 2008 investment seminar was organized by the Ministry of Finance of Indonesia with Barclays Capital as private sector partner.



Secretary Teves in action during the 5th ASEAN Finance Ministers' Investor Seminar held on 08 October 2008 in Dubai

Asia-Europe Meeting (ASEM)

The eighth ASEM Finance Ministers' Meeting (ASEM FMM) was held in Jeju Island, Korea on 14-17 June, 2008. The meeting was also attended by the European Commissioner for Economic and Monetary Affairs, the President of the Asian Development Bank, the Vice President of the European Central Bank and the Deputy Managing Director of International Monetary Fund. Ministers warmly welcomed newly joined ASEM member countries: Bulgaria, India, Mongolia, Pakistan and Romania.

> ASEM Finance Ministers committed to play a more proactive role in dealing with macroeconomic challenges facing the global community and will continue to reinforce cooperation and enhance mutual understanding for co-prosperity of both regions.

There were four major topics discussed during the Meeting:

1) **Global and Regional Economic and Financial Situation and Policy Responses**

   Ministers discussed global and regional economic and financial developments and prospects. Ministers expressed concern over the surge in commodity prices, especially oil and food. As a solution, Ministers agreed to the need for internationally coordinated policy responses to cushion the impact on the poorest, including enhanced investment in agriculture and energy sectors and maintenance of market openness.

2) **Lessons learned from economic integration in Europe and consequent implications for Asia**

   Ministers acknowledged that some aspects of the European experience (Europe evolved from a customs union to a single market and finally to the economic and monetary union) are relevant to the current effort of Asia to enhance regional financial integration.

   In Asia, the Chiang Mai Initiative represents an Asia –specific approach and seen as a confidence building measure between economic and monetary policymakers in Asia which will create conditions for closer dialogue and an effective regional surveillance system. The Philippines is in the forefront of the Chiang Mai Initiative.

3) **Infrastructure Finance and Microfinance**

   Infrastructure Finance

   Ministers noted that infrastructure development could play a crucial role in economic growth and social development and improvement in Public-Private Partnership (PPP) financing could enhance infrastructure development. Ministers agreed on the importance of sharing the related information and knowledge, as well as capacity building in order to promote PPP in infrastructure.

   Microfinance

   Ministers exchanged views on recent trends in microfinance markets and agreed that microfinance would be an effective and powerful vehicle to address poverty reduction, stimulate economic development and enhance social cohesion for both developed and developing countries. Ministers emphasized the need for the public sector to encourage private initiatives and market mechanisms to ensure long term sustainability and efficiency of microfinance industry.

4) **Market Oriented Approach to Climate Change**

   Ministers agreed to further explore the role of market oriented responses in mitigating greenhouse gas emissions cost effectively and with minimal impact to growth prospects. Ministers took note of market oriented policies as a means of working with the market to appropriately price greenhouse gas emissions changing the incentives for lower carbon activities.

ASIA-EUROPE MEETING

Philippine Development Forum

The 2008 Philippine Development Forum or PDF 2008, was held on 26-27 March 2008 in Clark, Pampanga, Philippines under the chairmanship of the Government of the Philippines (represented by Finance Secretary Margarito Teves), with the World Bank as co-chair (represented by Philippines Country Director Bert Hofman). More than 300 participants attended, representing government, international development partners, private sector, academe, NGOs and civil society met. The participants reviewed the country's progress in achieving broad-based growth and plans to sustain it and make it more inclusive. Themed "Accelerating Inclusive Growth and Deepening Fiscal Stability", the country has been striving to maintain its strong macroeconomic performance in recent years.

As a result of the partnership of the Government and its donor partners in the PDF, important progress has been made in the economic front. For example, the Philippines exhibited high growth, particularly over the past three years. This period has been faster than any similar period in the past two decades. Because of PDF Review, the Government commited itself to fiscal discipline which led to improved market confidence, resulting in lower sovereign spreads and significant capital inflows.

Recent interventions of PDF resulted in Government increasing budget allocations to health and education, based on clear strategies and refined medium-term expenditure frameworks. The Government is also in the process of developing a similar social protection strategy and has launched a promising poverty alleviation program, *Ahon Pamilyang Pilipino*. Likewise, the Government passed the Anti-Red Tape Law which has resulted in reduction in business processing time and which can contribute to improved investment climate.

The PDF also initiated several legislative initiatives still awaiting approval by one or both Houses. These includes the following bills:

1) Rationalization of fiscal incentives
2) Reform of excise taxes

The latest PDF's thrusts are to sustain growth by maintaining macro-stability and fiscal discipline, improving the investment climate and upgrading infrastructure. PDF is also supporting inclusive growth by increasing incomes of poorer Filipinos by providing quality jobs in urban and rural areas. Likewise, PDF is calling for enhanced security by addressing conflict in Mindanao and elsewhere and is calling for further strengthening governance.

Secretary Teves with President Gloria Macapagal-Arroyo, Vice President Noli De Castro and WB Country Director Bert Hofman during the Philippine Development Forum held on 26 March 2008 in Clark, Pampanga

Frontline Operations

The OSS-CENTER

Pursuant to Administrative Order No. 266, the OSS-CENTER processed and issued a total of 1,351 Tax Credit Certificates (TCCs) worth P4.653 billion in 2008 under the following incentive laws:

Incentive Law	No. of TCC	Amount (P million)
Article 39 (j) of EO No. 226 (as amended), Philippine Fisheries Code and other related laws – [BOI Window]	409	P1.22
Section 106 of the Tariff and Customs Code of the Philippines – [BOC Window]	227	P1,982.89
Section 112 of the National Internal Revenue Code – [BIR Window]	715	P1,448.19
TOTAL	**1,351**	**P4,653.00**

The total issuance for 2008 increased by 21 percent or P0.816 billion compared to P3.837 billion the previous year. Slight increases in the amount of issuances were noted under the 3 incentive windows. This can be attributed to: (a) steady rise in the releases to Petron and Pilipinas Shell which were affected by increase in duty rate from 1 percent to 3 percent, increase in Petron's market share in the international airlines/vessels industry due to the withdrawal of Caltex and Mobil, and changes in foreign exchange rates; (b) continuing effort of the OSS-CENTER in coordination with the BIR and BOC to reduce the backlog of claims; and (c) entry of new claimants applying for tax credits under the Philippine Fisheries Code.

Other Major Initiatives

- Re-engineering under RA 9485 (Anti-Red Tape Act of 2007)

  As required under RA 9485, the CENTER initiated in October 2008 a re-engineering activity simultaneously with the updating of its Manual of Operations. Teams created for these activities are conduct review and discussions with the different units of the CENTER.

- Internal Audit under Department Order No. 29-08

  The OSS-CENTER Executive Committee recommended the formation of a composite Special Audit Team to undertake the following:

  - Conduct management and operations performance audit of the OSS CENTER's activities
  - Review and appraise systems and procedures/ processes, organizational structure,assets management practices,financial and management records, reports and performance standards
  - Analyze and evaluate management deficiencies and assist the Executive Committee and top officials of the OSS CENTER by recommending realistic courses of action

  The audit exercise is in line with the government policy to simplify the processing of tax credits and safeguard the tax credit system from undue claims.

- Special Audit by the Commission on Audit

  The special audit of the processing and issuance of tax credits, an initiative of the Commission on Audit (COA), focuses on the operations of the OSS CENTER, BOC, and BIR. An entrance conference with OSS CENTER officials was held on 27 November 2008. The audit is expected to be completed within sixty (60) working days.

- Launching of the Verification and Business Linkage System (VERIBILIS)

  VERIBILIS is an online verification system that replaced the manual verification of transactions subject of tax credit claims under the Investment Incentive Group (IIG). Registration to the system is on-going

- Reactivation and enhancement of TCC Claim Tracking System (CTS)

  The CTS program underwent upgrading to allow claimants of the OSS CENTER monitor the online movement of their claims

- Updating of Standard Rates

Standard rates refer to a fixed percentage of export sales used as the approximate tax credit for taxes and duties paid on raw materials. The updating will include upgrading of the current Standard Rates software into the more modern MS-Excel format. Relevant data for updating the standard rates have been gathered from concerned industry players.

The Mabuhay Lane

The Mabuhay Lane is one of the DOF' frontline offices which caters to the importations made by the following sectors:

- *BOI-registered enterprises (capital equipment)*
- *Non-stock, non-profit educational institutions*
- *Importers of books, magazines and similar items*
- *Importers qualified under Section 105 (r) of the Tariff and Customs Code of the Philippines*
- *Asian Development Bank*
- *Importers of personal effects and household goods*
- *Contractors for the Department of Energy*

The taxes and duties waived by the Mabuhay Lane increased significantly to P3.51 billion in 2008 from P1.87 billion in 2007. The increase was brought about substantially by the importation of the energy sector. The sector's duties and taxes waived rose to P1.81 billion from P598 million the previous year. Importation of capital equipment by BOI-registered companies and importation of books and magazines also experienced growth in taxes and duties waived.

Estimated Taxes and Duties Waived on Importation January to December 2008 (P Million)

	Value of importation	Duties	VAT	TOTAL
MABUHAY LANE				
Importation of capital equipment (spareparts and machineries by BOI-registered enterprises under EO 226)	16,002.55	480.02	467.07	947.15
Importation by non stock, non-profit educational institutions under Article XIV, Sec 4 (3) of the New Constitution	611.51	18.35	75.58	93.93
Magazine/publication books under UNESCO (Florence), Sec 105 (s) and RA 8047	252.00	97.57	397.82	495.39
Importation with NEDA Recommendation for Tax and Duty Entry under Section 105 of the TCCP	341.15	10.23	42.17	52.40
Importation under Sec 44 of the Headquarters Agreement between GOP and ADB	416.86	12.42	51.15	63.57
Importation of personal effects and household goods under EO 206	294.72	8.84	36.43	45.27
Importation of machinery/ equipment/spare parts by energy contractor under PD 1442	1,841.78	55.25	227.64	282.90
Importation of machinery/ equipment/spare parts by energy contractor under PD 972	5,160.4	154.81	637.83	792.64
Importation of machinery/ equipment/spare parts by energy contractor under PD 87	4, 758.15	142.74	588.11	730.85
Importation of machinery/ equipment/spare parts by mini hydro power under RA 7156	15.01	1.05	1.93	2.99
TOTAL	**P32,691.13**	**P981.34**	**P2,525.74**	**P3,507.08**

Human Resource and Systems Development

The strength of the DOF as an institution lies on the quality of its workforce – capacitated to meet the challenges of changing times

Staff training and development

In 2008, a number of DOF staff were sent to trainings in order to improve their potential and enhance their capacity to formulate policies in their areas of expertise such as economic and fiscal policy, governance, financial management, and information technology. A total of 213 staff attended local trainings, while 37 benefited from trainings abroad.

Economic/Fiscal/Financial Policy	Governance
Indian System of MOU for Public Sector Undertakings (New Delhi, India)	Capacity Building Program for ASEAN Negotiators on FTA, Korea
Tax Expenditure on Products that are Subject to Excise Tax (Hongkong, China)	Indian Public Enterprise, New Delhi, India
Government Finance Statistics (Bangkok, Thailand)	Regional Consultations on 3rd High Level Forum on Aid Effectiveness,Bangkok Thailand
Regional Strategy for Southeast Asia (Jakarta, Indonesia)	Workshop on Capacity Development,Bonn,Germany
SEATCA Regional Workshop in Implementing WHO FCTC Art 6: Tobacco tax (Bangkok, Thailand)	Study Tour on US Customs and Border Protection,USA
Building Fiscal Sustainability Thru Better Risk Management of Public-Private Partnership, (Ho Chi Minh City, Vietnam)	Study Visit to Statistics Sweden and the Swedish Tax Agency,Sweden
Executive Program for Macroeconomic Policymakers (Tokyo, Japan)	OECD Global Network Privatization and Corporate Governance of State-owned Enterprises, Paris, France
Fiscal Space Workshop (Jakarta,Indonesia)	JICA Training Program for Young Leaders-Local Administration Course, Japan
Asia Tax Forum (New Delhi, India)	
Seminar on Economic Policies (Tokyo, Japan)	
IMF-STI Training on Macroeconomic Management in Fiscal Policy (Singapore)	
Macroeconomic Management for Senior Officials (Singapore)	
International Borrowing and Debt Management (Washington D.C., USA)	
Performance-based Budgeting Training Program (Singapore)	
Training on International Trade and WTO (Korea)	
Improving Access to Finance SMEs in the Asia Pacific Region (Shanghai, China)	
Trade Promotion (Korea)	
Fiscal Policy Enhancement Program for the Philippines (Korea)	
2nd Asian Conference on Microfinance (India)	
3rd Seminar on Development of Financial System in ASEAN and Korean (Korea)	
Macroeconomics Management and Fiscal Policy (Singapore)	
Financial Programming and Policies (USA)	
Public Policy Analysis (Netherlands)	
EDFC Annual Workshop (Korea)	
Conference and Workshop on National Catastrophe Risk Insurance Mechanisms for the Asia and the Pacific Region (Tokyo, Japan)	
Financial Markets and New Financial Instruments (Singapore)	

Aside from local and foreign trainings, the DOF likewise conducted in-house courses and lectures designed to enhance technical and managerial capacity of staff, as well as promote greater awareness among DOF employees of contemporary economic, political, and social issues.

- Briefing and Advocacy on the Use of Alternative Dispute Resolution (ADR)
- Lecture on Tariff Setting of Water as a Commodity
- Seminar for Parent Employees: Raising Compassionate Children
- Supervisory Development Course
- Lecture on Fiscal Reporting
- Forum on Status and Directions of Micro, Small and Medium Enterprises in the Philippines

Recognizing that health is wealth and improving overall well-being contributes to greater employee productivity, the DOF also held in-house courses for employees on the following:

- Physical fitness session and lecture on HANAP-BUHAY in celebration of the Women's Month
- Skin consultation and analysis
- Nutrition and healthy lifestyle seminar
- Professional drivers' program
- Lecture on cervical cancer prevention

Community services

As part of its social responsibility as a corporate citizen, the DOF regularly conducts community services and outreach activities. In 2008, it took part in Blood Donation Program conducted by the Philippine Children's Medical Center and Outreach Program to indigent children-patients at the Ospital ng Maynila.

The DOF also continued to promote strong tie-ups with the academe by regularly accepting student-trainees from different schools and universities and training them in various facets of DOF operations.

Staff Recognition

The DOF conferred awards to employees based on the DOF's Program on Awards on Incentives for Service Excellence (PRAISE):

1. Length of Service Incentive or Longevity for one hundred fifteen (115) employees for having rendered at least 3 years of continuous service in the same position;

2. Loyalty Award for twenty six (26) employees who have rendered continuous and satisfactory service for at least ten years and twenty nine (29) employees for at least every five years thereafter;

The DOF received awards of excellence

(1) Awarded "Certificate of Recognition" by the Career Executive Service Board (CESB) on 24 November 2008 at Hotel Sofitel, Manila for consistently maintaining the highest occupancy rate of Career Executive Service Officers on third level officials.

(2) Awarded "Certificate of Recognition" by the Presidential Anti-Graft Commission (PAGC) for ranking EIGHT (8th) among 100 agencies in terms of compliance to the requirements of the Integrity Development Action Plan (IDAP) for the Year 2008 given on 18 December 2008 at NCPAG, University of the Philippines, Diliman, Quezon City.

(3) Awarded "Certificate of Appreciation" by the Multi-Sectoral Anti-Corruption Council (MSACC) for full support and active participation, including sharing of resources/funds for the success of the Commemoration of the International Anti-Corruption Day and Launching of the National Summit on the United Nations Convention Against Corruption (UNCAC) held at ULTRA on 9 December 2008.

3. Service Award for one (1) employee for his long years of dedicated service to DOF;

4. Recognition and compensatory day-off pursuant to R.A. 6713 for ten (10) employees for perfect attendance during the Flag Raising Ceremonies for six (6) consecutive months;

5. Cash Award was also given to three (3) deserving employees for perfect attendance during the Flag Raising Ceremonies (FRC) for the whole year of 2008; and

6. Productivity Incentive Benefit (PIB) for qualified and deserving DOF officials and employees.

Gender and Development

For the year 2008, Gender and Development activities focused on financial empowerment through the conduct of PISOBILITIES and Personal Finance workshop and livelihood seminars. The GAD Focal Point System also conducted lectures on good governance and anti-corruption measures in coordination with the Presidential Anti-Graft Commission (PAGC).

Improved operations through enhanced computerization system

In 2008, the CMIO-IT initiated and completed activities designed to improve operations of the various units of the DOF.

Network Infrastructure

The CMIO-IT started beefing-up its network infrastructure and implemented the wireless technology and fiber optic solution in the horizontal and vertical connection of the Department's network. A core switch was installed at the CMIO-IT and various distribution switches were strategically deployed within the Department's premise. Further, a more stringent network security measures were installed. A network management and monitoring system were also put in place. This allows the CMIO-IT to provide a more managed IT services to the Department.

Correspondingly, a data center was constructed to house all critical infrastructures necessary for the proper functioning of the Department's network. The following equipments were installed and set up appropriately at the data center:

- Airconditioning units
    - o 3-tonner capacity Precision Type
    - o 3-tonner capacity Comfort Type (Back-up)
- Uninterruptible Power Supply Unit with 60 KVA
- Door Access Control System
- Fire Suppression System
- Closed Circuit Television (CCTV) System
- Environment Monitoring System
- Raised Flooring

Hardware/Software Procurement

To complement the beefing up of network infrastructure, various systems and softwares were put into place. Among the systems and software installed were the following:

- Various operating systems from proprietary to open source
- CISCO enterprise services
- Security Software
    - o Anti virus
    - o Anti spam
    - o Anti phishing

Application Development

In line with the IT Grant under the Japanese funded Project, the DOF CMIO-IT started the implementation of the development of Document Management System with Questronix Corporation. The System has three major components, namely: (1) Document Tracking System (DTS); (2) Digitization of Records Management Division, International Finance Operations Office, and Corporate Affairs Group; and (3) Workflow application for Revenue Operation's Tax Exemption System (TES) and the Department's Voucher Tracking System.

A proof of concept for the DMS was conducted as part of a post qualification activity. A prototype of DTS, workflow an digitization solutions were developed and were properly evaluated by the CMIO-IT together with concerned groups within the Department.

Government Electronic Payment and Collection System Evaluation Team

The CMIO-IT actively participated in the Government Electronic Payment and Collection System Evaluation Team (GEPCSET) activities. The GEPCSET is an inter-agency body created to ensure implementation of standards, operational efficiency, security, and privacy of all electronic payment and collection systems in government entities. In 2008, operation guidelines were crafted to provide standardized guidelines on the evaluation of Electronic Payment and Collection System (EPCS) of all government entities.

DOF Websites

The Department through the CMIO-IT continuously hosts various websites of the Department. For DOF websites, refer to the directory.

DOF Officials

Margarito B. Teves
Secretary

The Undersecretaries

Jeremias N. Paul, Jr.
Corporate Affairs Group

Gil S. Beltran
Domestic Finance Group
and Policy
Development and Management
Services Group

Crisanta S. Legaspi
Privatization Group

Estela V. Sales
Revenue Operations Group

Rosalia S. De Leon
Chief of Staff
Office of the Secretary

The Assistant Secretaries

Roberto D. Geotina
Revenue Operations Group

Ma. Eleanor F. dela Cruz
Special Concerns

The Directors

Lourdes Z. Santiago
Central Administration Office

Ma. Lourdes V. Dedal
Central Financial Management Office

Ma. Teresa S. Habitan
Fiscal Policy & Planning Office

Soledad Emilia J. Cruz
Corporate Operations Office

Thelma A. Mariano
Revenue Office

Ma. Lourdes B. Recente
Research and Information Office

Helena B. Habulan
Municipal Development Fund Office

Ma. Edita Z. Tan
International Finance Operations Office

Villamor Ventura Plan
One-Stop Shop Tax Credit & Duty Drawback Center

Napoleon P. Guerrero
OIC, Legal Affairs Office

Fidel G. Condrada
Legal Affairs Office

Joselito S. Almario
Fiscal Policy & Planning Office

Gilda Victoria C. Mendoza
International Finance
Policy Office

Eleazar C. Cesista
Revenue Operations Group

Estela C. Laureano
International Finance
Operations Office

Charissa P. Hipolito
Corporate Operations
Office

Carmelo T. Casibang, Jr.
One-Stop-Shop Tax Credit
and Duty Drawback Center

Romeo D. Tomas
DOF - RIPS

Claricel M. Yuvienco
OIC, Central Management
Information Office

Heads of Attached Bureaus

Lilian B. Hefti
Commissioner
Bureau of Internal Revenue

Napoleon L. Morales
Commissioner
Bureau of Customs

Roberto B. Tan
Treasurer of the Philippines
Bureau of the Treasury

Ma. Presentacion R. Montesa
Executive Director
Bureau of Local Goverment Finance

Heads of Attached Agencies

Cesar S. Gutierrez
Chairman
Central Board of Assessment Appeals

Eduardo T. Malinis
Commissioner
Insurance Commission

Lina D. Isorena
Executive Director
National Tax Research Center

Guillermo N. Hernandez
Chief Privatization Officer
Privatization Management Office

Heads of Attached Corporations

Lecira V. Juarez
Chairperson
Cooperative Development Authority

Fe B. Barin
Chairperson
Securities & Exchange Commission

Francisco S. Magsajo
President
Philippine Export-Import Credit Agency

Jose C. Nograles
President
Philippine Deposit Insurance Corporation

Directory

OFFICE/GROUP	TELEPHONE NUMBER/S
OFFICE OF THE SECRETARY	523-6051; 526-7336; 523-9251; 523-9219 (Fax) 526-8474; 521-9495
Chief of Staff	521-9495; 525-4194
CORPORATE AFFAIRS GROUP	
Office of the Undersecretary	400-6882; 524-5221
Corporate Operations Office	523-9938; 527-3826; 525-7309
DOMESTIC FINANCE GROUP	
Office of the Undersecretary	523-5671
Fiscal Policy and Planning Office	523-5678; 523-3825; 524-0607
DOF-National Credit Council ADB Projects	525-0487; 525-0497
Research and Information Office	526-6968; 524-0619; 524-0618
INTERNATIONAL FINANCE GROUP	
Office of the Undersecretary	523-9221
International Finance Operations Office	526-9990; 523-9223; 521-8791; 521-8792
International Finance Policy Office	(TL) 523-9911 to 14 loc 110; 400-7446
PERSONNEL DEVELOPMENT & MANAGEMENT SERVICES GROUP	
Office of the Undersecretary	523-5727
Central Administration Office	526-1265
Cash Section	526-5573
Central Record Management Division	526-8470
General Services Division	526-8475; 525-4227
Library Section	526-8410
Medical and Dental Clinic	526-6967
Personnel Services Division	525-0244
Property & Procurement Section	526-4786
Central Financial Management Office	526-8166
Accounting Division	523-5624
Budget Division	526-8464
Management Services Division	526-6932
Central Management Information Office	525-4451; 526-8467; 525-4697
PRIVATIZATION GROUP	
Office of the Undersecretary	523-5727; 525-1321; 523-5143
Privatization Office	524-1633
REVENUE OPERATIONS GROUP	
Revenue Office	526-7490; 526-8458; 526-8476; 526-7311
Legal Affairs Office	526-7490; 526-8449
One-Stop-Shop Tax Credit and Duty Drawback Center	526-8178; 526-0076; 526-1781; 523-9217; 526-8450
OSS-BIR	526-8849
OSS-BOC	526-1751
MUNICIPAL DEVELOPMENT FUND OFFICE	
Office of the Director	523-9935; 525-9185; 523-7192; 525-9188; 525-9186

Attached Agencies & Bureaus

AGENCY NAME/OFFICE	TELEPHONE NUMBER/S	WEBSITE
Bureau of Customs (BOC)	526-63-55; 527-45-11	http://www.customs.gov.ph
Bureau of Internal Revenue (BIR)	921-04-30; 922-32-93	http://www.bir.gov.ph
Bureau of Local Government Finance (BLGF)	527-27-80; 522-87-73	http://www.blgf.gov.ph
Bureau of the Treasury (BTr)	527-31-84; 527-31-78; (TL) 522-81-22	http://www.treasury.gov.ph
Central Board of Assessment Appeals (CBAA)	525-14-11; 525-14-10; 526-74-85	http://www.cbaa.gov.ph
Cooperative Development Authority (CDA)	371-20-77; 527-20-62	http://www.cda.gov.ph
Fiscal Incentive Review Board (FIRB)	527-20-71; 527-20-62	http://www.firb.gov.ph
Insurance Commission (IC)	525-20-15; 523-8461 to 70	http://www.insurance.gov.ph
National Tax Research Center (NTRC)	527-20-71; 527-20-62	http://www.ntrc.gov.ph
Philippine Deposit Insurance Corporation (PDIC)	818-69-06; 817-14-45	http://www.pdic.gov.ph
Philippine Export-Import Credit Agency (PhilExim)	893-46-32; 893-48-09; (TL) 848-19-00	http://www.philexim.gov.ph
Privatization and Management Office (PMO)	893-23-83; 893-12-09	http://www.pmo.gov.ph
Securities and Exchange Commission (SEC)	727-45-43; 724-47-57	http://www.sec.gov.ph
DOF WEBSITES		
DOF		http://www.dof.gov.ph
VAT Reform		http://www.vatreform.gov.ph
Revenue Integrity Protection Service		http://www.rips.gov.ph
National Credit Council Website		http://ncc.dof.gov.ph
Government Electronic Payment and Collection System Evaluation Team		http://www.gepcset.gov.ph
Gender and Development/Women's Inc.		http://www.dof.gov.ph/gad

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